

Message Text

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C O N F I D E N T I A L ALGIERS 1874

EXDIS

E.O. 11652: GDS

TAGS: ENRG, EINV, AG

SUBJECT: ILLICITY PAYMENTS AND SONATRACH

1. IN CONTEXT OF GENERAL DISCUSSION OF ECOSOC'S
CURRENT CONSIDERATION OF INTERNATIONAL AGREEMENT ON
ILLICIT PAYMENTS, SONATRACH PRESIDENT DIRECTOR GENERAL
GHOZALI DISCUSSED WITH AMBASSADOR SONATRACH'S SUIT
AGAINST CHEMICO AND ITS REQUEST FOR COOPERATION OF USG RE
BRIBERY CASES. GHOZALI NOTED THAT IT IMPORTANT TO
REALIZE THAT SONATRACH HAD NOT USED TERM "BRIBES"
(POTS DE VIN) IN ITS CURRENT SUIT AGAINST CHEMICO.
RATHER, SONATRACH WAS CHARGING CHEMICO WITH UNAUTHORIZED
PAYMENT OF COMMISSIONS. CHARGES OF FRAUD HAD BEEN ADDED
ON RECOMMENDATION OF SONATRACH'S LAWYERS TO CONVINCE THE
COURT OF THE SERIOUSNESS OF THE CASE AND TO ALLOW SONATRACH
ACCESS TO CHEMICO'S RECORDS. AT MOMENT SONATRACH COULD NOT
PROVE FRAUD BUT WAS PROCEEDING ON THIS BASIS TO FIND
SUBSTANTIATING EVIDENCE. CLEARLY IT WAS NOT NORMAL BUSINESS
PRACTICE TO PAY A \$4 MILLION COMMISSION TO SALES AGENT SUCH
AS FRENKEL.

2. BY CONTRAST, GHOZALI SAID HIS REQUEST FOR USG
COOPERATION IN LETTER TO COMMERCE SECRETARY RICHARDSON WAS
BASED ON OBSERVATIONS OF BRIBERY NOT RELATED TO CHEMICO.
GHOZALI ADDED THAT HE HAD UNDERSTOOD FROM THE REPLY OF
UNDERSECRETARY ROBINSON THAT LATTER WAS SYMPATHETIC TO
HIS REQUEST, BUT THAT THERE WAS A NEED FOR A LEGAL
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COOPERATIVE FRAMEWORK. GHOZALI NOTED, HOWEVER, INVOCATION

OF GOVERNMENT-TO-GOVERNMENT COOPERATION WAS WHAT HE HAD BEEN TRYING TO AVOID IN ADDRESSING HIMSELF AS A BUSINESSMAN DIRECTLY TO SECRETARY RICHARDSOM. HE ADDED, HOWEVER, THAT HE UNDERSTOOD OUR RESPONSE, AND GOS WOULD FOLLOW-UP ON QUESTION WITHIN BILATERAL LEGAL FRAMEWORK.

3. COMMENT: I RAISED ISSUE OF ILLICIT PAYMENTS WITH GHOZALI IN ORDER TO SEEK HIS SUPPORT WITHIN THE GOA FOR OUR PROPOSED INTERNATIONAL AGREEMENT ON ILLICIT PAYMENTS. I NOTED THAT COOPERATION ON ILLICIT PAYMENT ISSUES WOULD BE MUCH EASIER WITHIN THE FRAMEWORK OF SUCH AN AGREEMENT, UNDER WHICH THERE WOULD BE, AMONG OTHER THINGS, GENERAL ACCORD ON WHAT EXACTLY CONSTITUTED AN ILLICIT PAYMENT. GHOZALI CLEARLY UNDERSTOOD OUR POSITION AND GAVE IMPRESSION HE SYMPATHETIC TO IT. WHILE ANY SUPPORT FROM HIM PROBABLY TOO LATE TO CHANGE ALGERIAN POSITION IN CURRENT ECOSOC SESSIONS, HOPE CONVERSATION WILL PAY FUTURE DIVIDENDS. PARKER

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